

McLane Southern/Brookhaven, MS - Currently has on had 3,770 cases of non-MAT product. Will continue to ship out non-MAT product until 1/29/93. After that time, all remaining non-MAT Marlboro product will be sleeved to make 2-Pack special offer product and will be shipped during 1stQ '93.

SECTION 33

Hy Vee - Prebooked 800 cs MAT product through warehouse.

Falley's Food-4-Less - Signed this 28 store chain to Retail Masters M3, Category 1, Rate Factor 5, gaining shopping baskets and authorization to upgrade all existing package fixtures.

SECTION 34

Homeland/Oklahoma City - Basic sold into this chain, with orders placed and automatic distribution made to the 90 Oklahoma stores. MAT product is being supplied to stores by secondary suppliers, not through warehouse.

SECTION 35

Kroger/Dallas - Marlboro front-end displays scheduled for installation in all 80 stores w/o 1/11/93. Initial reports on flex promotion for December are not exceptional. Testing out-of-stock program with Kroger in February. Based upon sales data, Kroger may not earn Full Margin Growth Fund.

Food N Fuel Partners - accepted 500,000 carton promotion of Basic. Shipments split in 5 to retail, with first 200,000 ctns shipped w/o 12/28/92, second 1/18/93-2/4/93. Retail pricing ranging from 69¢/pk in Louisiana to 89¢/pk in Texas. All 154 locations in 6 states will feature signage, display bins and banners. In addition, 29 newspapers will feature full page ads for MAT and Basic.

Target - SAM Nick Camfield secured end-caps for first 4 months of 93. End caps will feature Cambridge at \$4.00 off. 4,500 cartons forced out to retail w/o 12/28/92.

Wal Mart - SAM Camfield also secured end caps for 300 cartons of Cambridge, with product force out of 4,500 cartons for the 15 locations delivered w/o 1/4/93.

SECTION 36

Conoco/Houston, TX (475 stores) - January Conoco Promotion of 3-pack special purchase was changed to 2-pack special, due to possible consumer confusion with the MAT 2-pack promotion. Conoco has accepted all promotions for 1st trimester, both locally and nationally.

N.C.S./Houston, TX (720 stores) - Stop N Go ran a Marlboro banner board promotion during the first 2 weeks of December, advertising the Marlboro 5 Pack. Final results not in at this time, however, Stop N Go management is pleased with the promotion. Findings show that most purchases were made on payday or the weekend, and consumers used credit cards for purchases.

Marlboro Medium 100's B1G1F will begin running on a 2-week banner board 12/28/92, with the promotion anticipating sales of 16 million units.

V. SECTION/REGION EVENTS

VI. ORGANIZATION/PERSONNEL

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VII. MISCELLANEOUS

PM Express - has created a time crunch for all users, with time between entering a transaction mode to completion being as much as 10 minutes. This time frame is becoming normal, rather than an exception. Increasing the capacity of their system would ease time problems in the field.

When the system overloads, it often disconnects the user while in the process of an order and without benefit of an error notice.

PM Express is excellent when it comes to notifying personnel of materials to be shipped and being shipped. However, no notification is given when PM Express is out of items. This is not reflected on Midas PF16 allocation screens, and personnel are only aware of this when materials do not arrive. Suggestions have been made to PM Express to notify users of deletions of materials.

Ford Program - Section 36 reports an excessive amount of down time due to maintenance of company vehicles under the Ford Program.

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REGION 4 MONTHLY HIGHLIGHTS

DECEMBER 1992

I. **VOLUME**

<u>Brand</u>	<u>VOL MTD</u>	<u>VOL YTD</u>	<u>% CHG vs LYTD</u>
Marlboro	2,919	24,134	- 10.0
Full Margin	3,862	33,735	- 9.4
Total Discount	1,177	11,646	21.9
Deep Discount	845	7,577	100.0

(Volumes as of 12/31/92)

II. **PM BRANDS**

B & H Kings

Current distribution for the Region is 85.7%. Four Sections report pockets of wholesale and retail overstocks and suggest "2 for 1" wraps to resurge the brand. Section 44 reports incentive use has worked when available versus the off-label deals.

Marlboro 5 Pack

Additional temporary (4 x 4) and permanent fixtures are being requested to gain and maintain distribution. Region distribution of all outlets is 43.5%, 72.3% of Retail Masters accounts.

Marlboro Adventure Team

As of 12/31/92, MAT 2 Pack product ordered totals 84.7% of allocation, with full usage expected. Section 42 reports Foster Oil is placing billboards in support of MAT. 1,800 additional 75 Unit displays have been allocated to the field from other Regions to alleviate field shortages.

Co-fund acceptance is excellent with most major chains participating. Emro, Clark Oil, Total Petroleum, F & M and Phar Mor are co-funded examples.

III. **COMPETITIVE ACTIVITY**

R.J. Reynolds

Winston and Salem continues to use \$3.00 carton coupons and various pack offers funded at \$.50 per pack in single, 2 packs, and 3 packs.

Section 42 reports Salem Gold being introduced via B1G1F in Urban markets, while only sporadically in surrounding Suburban markets. Trial is gauged as "fair" where "2 for 1's" exist.

Camel is running "Buy 3 Get 3 Packs" throughout the Region while introducing Camel Cash III in mass catalog mailings to retail. Additional offers of \$1.25 off 2 packs and \$2.00 off cartons have been noted.

Section 44 (Chicago) reports RJR reps using coupon guns to speed the process and RJR reps holding store sales in high volume outlets on Fridays.

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American

\$2.00 and \$3.00 IRC's on Riviera, "2 for 1's" and "Buy 3 w/ Cap."

Sales reps are conducting switch-selling activity for Misty using pack coupons while retail offers B1G1F (40 Unit), \$1.00 off 2 packs, \$.30 off 1 pack, and \$3.00 off a carton with \$5.00 mail-in.

Brown & Williamson

Capri - "2 for 1" in select markets to compete with Virginia Slims 10 pack, \$.50 off 1 pack, and \$2.50 off carton.

Lorillard

Newport - B1G1F \$4.00 IRC's on all packings.

Liggett & Myers

\$4.00 off full margin via IRC at selected wholesalers.
B1G1F on Chesterfield, L&M, and Eve.

IV. CUSTOMER / KEY ACCOUNT DEVELOPMENT

Discount Drug Mart - 34 stores signed Retail Masters, full participation.

Kroger Columbus - Five stores are being reset daily to Retail Masters POG's, with full implementation by 1/25/93.

Biggs - Combo Supermarket/Mass Merchandisers signed to Retail Masters.

Phar Mor - Has accepted 5 Pack and B & H Kings.

F & M - Due to Retail Masters implementation, PM has gained an additional 155 cartons of inventory per store (115 stores).

V. PRESENCE

Implementation of Retail Masters remains the top priority. Overheads, CF fixtures and pack hardware shelf shortages need to be filled for full retail execution.

VI. OTHER

Canadian Players - Orders have now been placed by wholesale with retail sell-in progressing. Wholesale response has been strong with many border stores slated for large retail programs to support the program.

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DECEMBER MONTHLY HIGHLIGHTS **REGION 5**

I.	<u>VOLUME</u>	Month	YTD	% Change YTD
	Marlboro	332.5	333	-48.4
	Full Margin	148.3	148	-41.4
	Price Value	192.5	193	44.9
	Famous Value Brands	82.2	82	82.1

II. PM U.S.A. BRANDS

A. New Products

Marlboro 5 Pack

Distribution and sales continue to increase for the 5 Pack. Pricing structure at retail is a favorable proposition to consumers. Response from the field indicates that when promoted, i.e., \$2.00 coupon, sales for the 5 Pack almost doubles. Retail Masters accounts should have been targeted solely, which would have provided adequate incentives during the initial trial period. Management has requested additional promotions and POS.

Types of POS include: B/R Strips, System 2000 Header Cards and Permanent Hardware (flexible springloads). We are customizing springloads locally on an as needed basis to facilitate the field requests. The Retail Merchandising group in San Francisco is developing a springload tray which will front face the 5-Pack unit in larger springload package fixtures.

Marlboro Medium 100's

Sections 51/52 were unable to use the entire allocation of Medium 100's 2-for-1 product, primarily due to our D.A.D. distributors commitment to large quantities of MAT product. However, the brand is flat at retail and a revisiting of the 2-for-1 promotion is recommended.

Virginia Slims 10-Pack

Product arrival to the field in Section 53 continues to be slow and inconsistent due to frustration and time constraints distributors are experiencing with the water stamping. The limited POS, lack of incentives, and lag in delivered orders continue to frustrate the sales force, retailers, and consumers. The recent printed carton sleeves should now enable us to begin promoting by the carton.

Section 54 distribution is at 61.4%. Sales of this packing are slow. Some retailers are complaining, asking us to pick up the product. Others are beginning to price below 1/2 carton price just to generate movement. Overall, brand appears to be lost at retail. The recent FSI generated some demand.

B&H Special Kings

Distribution in the Hawaii market is 80%. Very limited reordering is the result of slow product movement. Utilized available lighter incentives to generate interest, however movement declined once these deals ran out. We are receiving consumer reports of an unpleasant "after taste" from the menthol packings.

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B. Full Margin**Marlboro - Portland Price Promotion Test:**

We have received extremely positive results from this test where overall retail acceptance is at 89%. During the first three weeks, Sales Rep pre-book orders totaled 293,000 cartons. With the use of extra part-timers, POS visibility was extremely high. The combination of rapid execution, high visibility and the simplicity of this program resulted in excitement from retailers and consumers. The Portland District office received numerous phone calls from non-traditional outlets asking to participate in this initiative. The objective for this initiative was to lift Marlboro volume by 20%. During the month of December in Portland, Marlboro sales were 37% above the same period 1991.

MAT - 2-pack promotional sleeve

Encountering sporadic problems of retailers not accepting promotional product being delivered by distributors. These are being handled on a case by case basis in an attempt to alleviate quantity problems. Overall, the Marlboro Adventure Team has generated interest at retail.

Merit

We were only able to sell 1/3 of Merit Ultima \$4.00 Promotion product, due again to the unprecedented amount of MAT product delivered to our distributors.

C. Price Value**Alpine/Bristol/Cambridge**

Due to the extremely short window of time available to order coupons for the 1st Quarter 1993 Flex Budget, our ability to be strategic at the local level has been diminished. Ideally, we would benefit most by utilizing the Budget over the entire Quarter. It is very difficult to predict competitive responses a full Quarter in advance.

The Cambridge 75¢-off 2-Pack promotion was not competitive with other price value coupons and stickers. This type of promotion is difficult to handle as a shipper program at wholesale, due to the variety of packings shipped, resulting in inconsistent brand packing of each shipper.

D. Famous Value Brands**Basic distribution drive**

Drive was extremely helpful in our continuing efforts to sell Retail Masters as well as creating confidence in the retailer regarding our leadership position.

Our new 1993 Program of 80¢ at retail instead of \$1.00 is not as competitive as RJR's Best Value, Monarch Programs, etc. If we are to continue to gain distribution and drive sales in this highly competitive category, we must be competitively priced or we stand the risk of losing distribution and confidence by our retail and wholesale communities.

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III. COMPETITIVE ACTIVITY**A. R.J. REYNOLDS**

Initial response to MAT from RJR is purchase of 2 Packs pre-wrapped Camel, consumers receive triple Camel Cash awards.

RJR continues to use a variety of incentives including pen and pencil sets, holiday cassette tapes, mini mag flash lights, and T-shirts. Also utilizing \$3.00 and \$4.00 coupons. Camel continues to be promoted with Buy 2 Get Triple Camel Cash and Buy 1 Get Free Camel Joe Lighter. This is indication that Camel is gearing up to blunt our efforts with the Marlboro Adventure Team. We are not aware of any new programs at this time.

The Fresno market reports continued strong RJR support offering Camel 2-for-1's in unlimited quantities throughout the area. They are especially targeting Retail Masters accounts, thus limiting the retailer's funds to purchase 2-Pack MAT product.

RJR offered a new house brand named "Tri" to Chartered Distributing in Los Angeles. The list price offer just prior to the holidays was \$5.72. With various deductions, net cost was \$4.00. Ten packings. No hard copy at this time.

B. BROWN & WILLIAMSON

B & W continues to be aggressive with GPC where they have offered Plaid Pantry \$1.50 per carton buy-down. Plaid refused due to their commitment to Retail Masters.

In Hawaii, continues to respond aggressively to our introduction of B&H Special Kings utilizing 2F1's and 50¢-off stickers for all packings on Kool.

B & W is paying \$25.00 for placement and maintenance of a GPC banner or counterbalance sign.

C. AMERICAN

The sales force has been replacing old plastic AV-type racks with stackable dump bins to increase price value promotional inventories.

Crowns: American is very aggressive with their introduction of Crowns, where offers vary. An example, if an account purchases 65 cartons, they receive 25 cartons in gratis. After six months, they receive another 10 cartons gratis and then for every 15 cartons purchased, they receive 1 carton gratis. Retail pricing is averaging \$.99 per pack and consumer response has been favorable.

In Section 54, with their new Black & White "Prime", they are utilizing sub-jobbers to gain distribution offering them 15¢ per carton. Impact is minimal.

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IV. CUSTOMER DEVELOPMENT**Jackpot Oil (167 stores)**

Jackpot has agreed to replace all RJR's overheads in California and Nevada stores.

Fred Meyer (118 stores)

RJR has refused to supply carton fixturing in support of vertical merchandising as proposed by PM and Fred Meyer.

Plaid Pantry (102 stores)

Retail Masters in Plaid Pantry will include two counter displays, one back bar display featuring both Cambridge and Best Buy. Visibility will include counter balance signs, decals, Marlboro racing neon and light thief.

Smith's Food & Drug - We have signed a new Retail Masters agreement citing vertical carton merchandising with Philip Morris signage in all stores since they have gone to a lock up non-self service situation. We will continue to retain Philip Morris package fixtures and Plan C hardware in the interior portion of the stores.

Customer Company (106 stores)

2-Pack MAT co-funding product was accepted with 1,278 cases ordered to date. Promotion is scheduled to begin 1/4/93.

Raley's (65 stores)

2-Pack MAT product was accepted with 60 cartons delivered to each store for four consecutive weeks. Co-fund was refused due to a reduction in overall margin.

Save Mart (90 stores)

Save Mart has accepted the Marlboro 5-Pack \$2.00 co-fund promotion. Save Mart will feature an ad for a 4-week period. The MAT 2-Pack sleeve 60¢ co-fund promotion has been authorized for all stores. Each store will receive a 75-deal display and 60 cartons of 2-Pack sleeve product for a 4-week period. Total cases ordered to fulfill promotion requirements is 703 cases.

WestPac Foods

WestPac has agreed to bring in a total of 1,470 cases of MAT 2-Pack sleeve product for Raley's, Save Mart, and Bel Air. Due to the chains' scanning of all cigarettes, all MAT 2-Pack product must have the special UPC label attached. This will be a very time consuming procedure and may delay shipments to retail.

Safeway Northern California (235 stores)

This division has accepted the 2-Pack MAT product which will be shipped directly from Safeway's warehouse. Co-fund was refused due to corporate policy.

Southland Northern California (505 stores)

This division has accepted the 2-Pack MAT product but has refused to co-fund due to corporate policy.

Lucky's Northern California (188 stores)

Retail Masters presentation to the new merchandiser was refused at this time due to lucrative payments by competition. Lucky's took 100% advantage of the year-end Inventory Maintenance Program.

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Hawaiian Isles Distributors

Credit problems continue to exist. This has hindered our ability to implement promotions throughout the Islands. Out-of-stocks and stopped shipments persist. They have agreed to receive and ship MAT product. A major problem for this account is their military sales and service. They have indicated to us they will stop handling military effective February.

V. SECTION/REGION EVENTS

Section 52 personnel in Denver will be participating in the 9th Annual KGF Ski Weekend on February 26th thru the 28th. This major event is attended by all high level supermarket leaders in the Colorado Market and this is our first opportunity to partner with our sister companies to lend our support to this highly attended event.

VI. ORGANIZATION/PERSONNEL

Arrangements have been made through NYO for a tentative date in March for four days to present a stress management course in the Seattle District.

VII. MISCELLANEOUS

We continue our test at Sprouse Reitz with PM merchandising and promotions in five stores, to determine if Sprouse Reitz should introduce the cigarette category to all of their 150 stores. The test has been viewed extremely favorable to this point by Sprouse management. In one store, they are now averaging 135 cartons per week. Final decision on expansion will be made in February or March.

The second Coupon Gun Test has recently been concluded in the Phoenix Market and the SRs involved recommend a more eye catching color change of the coupon, increased printing speed and a lighter unit if possible. If we are going to continue couponing, this coupon gun certainly has strong possibilities in the future.

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